



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 3/21/2000

GAIN Report #GM0302

Germany

Retail Food Sector

2000

Approved by:

Jeffrey W. Jones

U.S. Consulate General

Prepared by:

Marion Roehse

Report Highlights:

Germany, with its 82 million people and the largest economy in Europe, is the leading European market for foods and beverages. Germany's retailing sector can be characterized as very competitive, highly complex and intertwined, and currently is undergoing considerable consolidation. Products from within the country and from other European Union countries dominate the shelves of retail outlets. Despite the challenges, the German market offers excellent opportunities for foods and beverages from throughout the world, including from the United States.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Hamburg [GM2], GM

**RETAIL FOOD SECTOR REPORT
GERMANY**

TABLE OF CONTENTS

I.	Market Summary	2
II.	Road Map for Market Entry	4
A.	“Traditional” Retail Outlets	4
	Entry Strategy, Market Structure and Company Profiles	
B.	Convenience Stores, Gas Marts, Kiosks, etc.	9
	Entry Strategy, Market Structure and Company Profiles	
C.	Buying Associations (Groups)	10
	Entry Strategy, Market Structure and Company Profiles	
D.	Other Channels	11
	Entry Strategy, Market Structure and Company Profiles	
III.	Competition	11
IV.	Best Product Prospects	13
V.	Post Contact and Further Information	15

GERMANY: Retail Food Sector Report

I. Market Summary

Germany, with its 82 million people and the largest economy in Europe, is the leading European market for foods and beverages. Products from within the country and from other European Union (EU) countries dominate the shelves of retail outlets, mainly due to duty-free movement of goods among EU members, geographical advantages, existing business ties and requirements that products comply with stringent German/EU food laws and packaging and labeling regulations. Despite the challenges, the German market offers excellent opportunities for foods and beverages from throughout the world, including from the United States.

Germany's retailing sector can be characterized as very competitive, highly complex and intertwined, and currently is undergoing considerable consolidation. Most of the major retailers are privately owned and most have wide retailing interests — department stores, different types of supermarket formats, special format outlets, etc. Margins are perhaps thinner than anywhere else in Europe, which together with a well developed distribution system, results in a very competitive sector.

Germany's consumers spend about DM 350 billion (approx. \$196 billion) annually on food and beverages. Of this amount, about one-third is spent in restaurants, canteens and other places where food and beverages are served on-premise. The remaining two-thirds is spent in retail food and beverage outlets, e.g., supermarkets. In 1998, Germany's food and beverage retailers registered annual sales (turnover) of DM 241 billion (equivalent to about \$ 135 billion). Nominal growth in sales remains relatively flat, with food/beverage sales growing only about 2% annually over the 1993-98 period. Taking into account retail price inflation, real growth in sales over this period was about zero.

Food and beverage retailing in Germany is increasingly dominated by a handful of large retailers. In 1998, the top five food and beverage retailers accounted for nearly two-thirds of national sales, while the top ten accounted for about 84%. Government restrictions on new store development and how long stores can be open, relatively slow retail sales growth, and the developed nature of the market, have led many German retailers to expand outside of Germany and/or to buy-out their local competition. The consolidation and resulting concentration currently occurring in the sector is expected to continue. Most of the gains made by the retailers were due to mergers and purchases.

How products are marketed in Germany is also undergoing considerable change. Local shops are giving way to large hypermarkets and discount stores. "Convenience" stores are also a fast growing segment of the retailing sector in Germany. Home food delivery, mail-order and selling foods over the Internet are increasingly being used as alternatives to the traditional retailers.

Buying associations or buying groups also play an important role in German retailing. These associations or groups are often operated by a wholesale company, which may do the purchasing, marketing and provide other services for independent retailers. Markant is the largest such buying association in Germany.

In 1998, Germany imported consumer-oriented agricultural products valued at \$560 million from the U.S., approximately one-third of all U.S. agricultural exports to Germany. Germany's annual consumer-oriented agricultural product imports from the United States are up from about \$450 million in the early 1990's, but down from the record of \$667 million set in 1996. Many U.S. products sold in Germany are not included in these totals. Products reach Germany through other European Union (EU) countries, primarily the Netherlands. Actual import data on product imported from the Netherlands is difficult to estimate since the Netherlands is a member of the EU. The major competitors in the consumer-oriented market are other EU countries, particularly the Netherlands, France, Italy and Spain. The U.S. is the second largest non-EU supplier of consumer-oriented products to Germany, following Turkey.

Advantages/Opportunities and Challenges Facing U.S. Products in Germany

Advantages/Opportunities	Challenges
Germany's 82 million inhabitants have among the highest income levels in the world.	Very competitive market, from imports and domestically produced items.
Germany is among the largest food/beverage importing nations in the world.	German (EU) import tariffs on certain products are high. Products from other EU countries do not have to pay import tariffs entering Germany.
Germany has myriad niche markets for different types of foods and beverages.	Complying with complicated German (EU) food law, labeling and packaging requirements.
Fast growing market for organic products. Private label products are popular.	German buyers demand quality, but also low prices; discounters are fastest growing segment of retail market.
Certain imported products enter Germany (EU) with only a small import duty, or enter duty-free.	Germany's retailing system can be very complicated.
Germany has many, well-established importers. Distribution system is well developed.	Retailers often charge high listing fees for products.

Advantages/Opportunities	Challenges
The “American-Way-of-Life” and U.S.-style foods are popular, principally among the affluent younger generation.	Retailers seldom import products into Germany (EU) on their own.
Large non-German population and German’s penchant to travel abroad help fuel demand for a variety of foreign products.	Margins on food at retail are very thin.

II. Road Map for Market Entry

A. "Traditional" Retail Outlets- Supermarkets, Superstores, Hyper Markets or Super Centers, Club and Warehouse Outlets

Entry Strategy

Success in introducing your product in the German market normally depends on local representation and personal contact. The local representative should be able to provide market information and guidance on business practices and trade-related laws, sales contact with existing and potential buyers, market development expertise, and the distribution system. The local representative may or may not also be the importer and distributor. The ATO in Hamburg maintains extensive listings of potential importers and maintains information about ongoing activities that provide opportunities to meet the German trade.¹

Specialized Importers. Specialized importers normally handle the importation and marketing of food and beverages that is sold in German retail establishments. These importers often specialize in products or product groups (including from a particular country) and frequently distribute products nationwide, either through their own sales force or through a distribution network of independent sales agents. Given their product specialization, importers can be expected to have in-depth knowledge of specific importing procedures, the sourcing requirements of individual retailers and the peculiar characteristics of the market.

Selling Direct. Direct sales to the central purchasing department of one of Germany’s leading retailers may be the most desirable methods of gaining access to the country’s retail outlets. However, this method is typically very difficult, as few German retailers import products directly from the United States or from other non-EU countries.

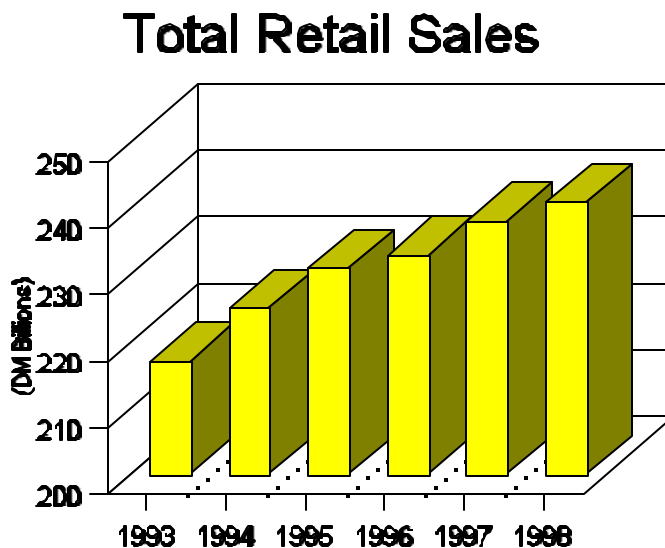
Due to their wide product range and high volume requirements, central buyers for the major

¹ For a directory of European Importers see American Foods in Europe, Your Guide to European Importers of U.S. food & Beverage Products at <http://www.american-foods.org>. Also available via CD-ROM, contact ATO Hamburg.

retailers are generally flooded with offers from competing suppliers. These buyers are usually not interested in taking on the added responsibility or the time and resources necessary to import products directly. This is especially true for new-to-market products which may not comply with German/EU import requirements, food laws and packaging and labeling requirements. Retail buyers may only be interested in importing products directly if they are unique or possess some specific attribute or offer significant advantages in terms of quality, price or financial promotional support.

Food and Beverage Retailing Profile

Germany represents the largest retail food market in Europe. In 1998, Germany's retailers registered annual food and beverage sales (turnover) of DM 239 billion (\$135 billion). Since shortly following reunification of West and East Germany there has been little, or no, real growth in retail food and beverage sales. Over the 1993-98 period, for example, nominal retail sales rose at an annual average rate of only 2.1%, about equivalent to retail price inflation.



Note: Sales by the organized retail industry.

Source: A.C.Nielsen, M+M EUROdATA, Lebensmittel Zeitung.

Retail Food/Beverage Sales, Number of Retail Outlets, 1993-98

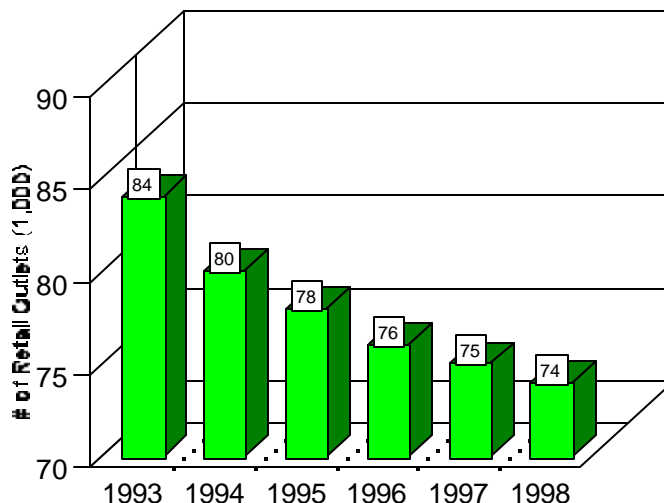
Category	1993	1994	1995	1996	1997	1998
Total sales (bil DM)	217	225	231	233	238	232
Share of top 5 retailers (% of total sales)	60.9%	61.1%	61.2%	61.1%	61.7%	63.5%
Share of top 10 retailers (% of total sales)	75.4%	77.3%	78.6%	80.8%	81.3%	83.6%
Retail outlets (1,000)	84	80	78	76	75	74

Note: Sales by the organized retail industry.

Source: A.C.Nielsen, M+M EUROdATA, Lebensmittel Zeitung.

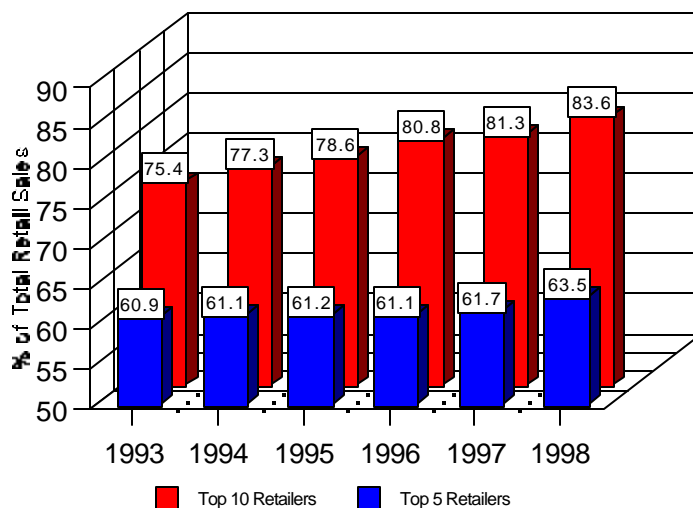
Germany is dominated by a handful of giant retailing organizations, and this concentration is increasing year-by-year. In 1998, for example, the five largest food and beverage retailers accounted for 63.5% and the top ten for 84% of national food and beverage retail sales. Since 1993, the top ten retailers increased their share of total national sales from 75% to almost 84% in 1998.

Decline in # of Retail Outlets in Germany



Source: A.C.Nielsen, M+M EUROdATA, Lebensmittel Zeitung.

Top Retailers (% of Total Sales)



Note: Sales by the organized retail industry.

Source: A.C.Nielsen, M+M EUROdATA, Lebensmittel Zeitung.

Leading Retail Food/Beverage Retail Trade Organizations, 1998

Retailer	Ownership	Food Sales Bil \$		No. of Outlets 1998	Outlets Names (types)
		'98	'99		
Edeka/ AVA	German	\$21.7	\$21.1	3,388	CC: Union SB, Mios, Ego; H: Marktkauf, dixi, E-Center; S: Edeka, E-activ Markt, Condi; D: Priesgut, Diska, Treff
Rewe	German	\$21.5	\$20.6	6,158	CC: Handelshof, Fegro, Selgros; H: Toom, Testa, Globus; S: Rewe, HL, Mess; D: Penny, Netto
Aldi	German	\$17.0	\$16.6	3,263	D: Aldi
Metro	German/ Swiss	\$16.3	\$14.6	1,805	CC: Metro, Berolina, Selgros; H: Real, Massa, Allkauf
Tengelmann	German	\$10.5	\$9.8	6,005	H: Grosso, Magnet, Kaiser's; S: Kaiser's Tengelmann; D: Plus, Ledi
Lidl & Schwarz	German	\$9.7	\$9.8	2,078	CC: Ruef, Kaufland; H: Handelshof, Concord; D: Lidl
SPAR (*)	French	\$9.2	\$8.2	1,648	CC: Spar; H: Eurospar; S: Spar, Pfannkuch, Safeway; D: Netto, Joker, Superspar; C: Spar Express
Schlecker	German	\$3.8	\$4.0	6,905	Dr: Schlecker
Dohle	German	\$2.8	\$2.7	363	CC: Handelshof, List, 3c; H: Hit, Minipreis, Ring-Center; S: Marktfrisch, Markant, Hensler; D: Limit

Wal-Mart	U.S.	\$.66	\$1.4	95	H: Wal-Mart*
----------	------	-------	-------	----	--------------

Note: CC: Cash & Carry; H: Hyper market; S: Supermarket; D: Discount; Dr: Drug Store (*) Spar's Inter-Spar outlets (74) purchased by Wal-Mart in 1998.

Source: M+M EUROdata; '98 DM data converted to \$ at DM 1.7592/\$; '99 DM data converted to \$ at DM

1.8351/\$

With relatively flat domestic retail food sales, German retailers have sought to expand their sales -- and gain market share -- by buying-out their competitors and by focusing on markets outside of Germany. Germany's top retailers rank among the leading retailers in Western Europe, and are increasingly focusing on expanding in markets outside of Germany, particularly the lesser developed markets of Eastern Europe.

Many of the major German retailers generate a significant portion of their total sales from non-German operations. Tengelmann and Aldi, for example, are two leaders in this regard, with, respectively, one-half and one-third of their total sales (food and non-food) generated outside of Germany. In addition to outlets in many of the major markets of Europe, these two companies also have stores in the United States (Tengelmann with A&P, and Aldi with Aldi.)

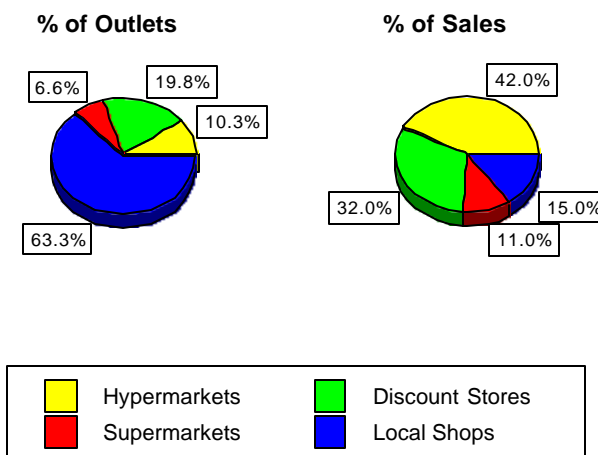
Metro, Germany's largest retailer and 4th largest food retailer, has also been on a buying binge, with its 1998 purchases of retailers Allkauf and Kriegbaum. Also in 1998, Metro sold a substantial number of its smaller retail outlets to focus more on the hypermarket segment.

Lekkerland, the 9th largest retailer and leading supplier to convenience stores, purchased Tobaccoland, resulting in a 162% increase in turnover in 1999.

Perhaps the mostly closely watched development in the German retailing sector has been the 1997 entrance of U.S. retailer Wal-Mart in the German market. Wal-Mart's entrance into Germany (Europe) began with the purchase of 21 hypermarket outlets previously owned by the Wertkauf Group. This acquisition was followed by Wal-Mart's late 1998 purchase of 74 hypermarket outlets from Spar AG. These purchases have given Wal-Mart a chain of outlets with annual sales of about \$2.89 billion (93% increase) and have made Wal-Mart the 13th largest retailer in Germany.

There are also major changes occurring in how food and beverages are being marketed in Germany. Small local shops and supermarkets, although still comprising the bulk of outlets, are increasingly being replaced by large hypermarkets and discount food stores. Hypermarkets and discounters now account for about 70 percent of all retail food and beverage sales, despite accounting for less than one-quarter of all the outlets. Metro AG is Germany's largest operator of

Food Retailing Structure by Category
1999



Source: A.C. Nielsen plus estimate for Aldi

hypermarkets and Aldi the leading operator of discount markets.

Each of Germany's leading retail groups has a different business structure and purchasing and distribution system. Many of the leading retailers have multiple retail chains, often with various types of retail formats, i.e., large hypermarkets, discount and small neighborhood stores, or perhaps beverage and/or delicatessen outlets. The purchasing departments for the large retailers may also be divided by retail format and, sometimes, by region of the country.

B. Convenience Stores, Gas Marts, Kiosks, Etc.

Entry Strategy

Convenience outlets -- small shops, often located at gasoline and train stations, highway rest stops, kiosks and bakeries -- are among the fastest growing retail formats in Germany. There are tens of thousands of these types of outlets in Germany, with the expectation that their sales will rise significantly, particularly as their product presentations are updated and enlarged and the variety of products offered is expanded. In addition to non-food items, the most popular items at these outlets include: fruit juice and fruit drinks, soft drinks, beer, wine, other beverages, confectionery products, snacks and convenience-type foods. Products sold in these outlets typically are priced 30-70% higher than in more conventional outlets.

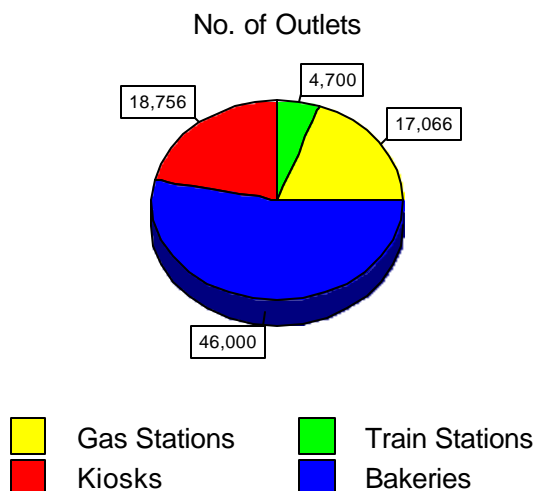
Major Convenience Type Store Profile

There are several large wholesalers that supply food and non-food products to these convenience outlets. The leading supplier is Lekkerland-Germany, which carries about 10,000 different items and services an estimated 70,000 customers, including 13,000 gas station shops, 12,000 kiosks, 9,000 beverage stores and 8,000 bakeries.

Lekkerland, the largest retail supplier to the convenience sector, purchased Tobaccoland in 1999, increasing their turnover by 162%.

Spar Group and Tengelmann are two large retailers that compete with Lekkerland in supplying these convenience outlets in Germany.

Major Convenience Store Type



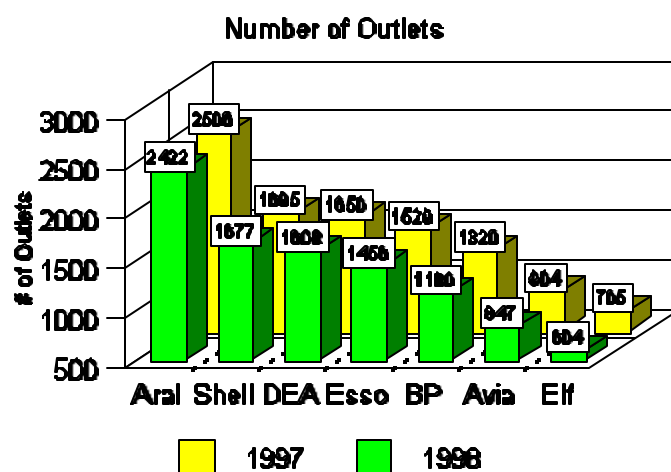
Leading Convenience Store

Source: Convenience magazine 1998

Suppliers

Company	Turnover Convenience DM million		Outlets Supplied
	97	98	
Lekkerland/Tobaccoland	3,300	3,300	GS: BP, Esso, Shell, Total, Filia, All
MSC Marketing & C-Shop	650	690	AVIA,bft,Doetsch, Tamoil,Q8
Spar	200	250	n.a.
Tengelmann	72	250	GS: Tank + Rast, Mitropa, Shell

All of the above German retail outlets, and organizations like Lekkerland, normally source most if not all of their imported products from specialized importers. Most U.S. companies interested in exporting to Germany and in developing a position in the German market are advised to work with an importer(s) or with an agent/broker that services these sectors.

Gas Stations in Germany

**C. Buying Associations
(Groups)**

Entry Strategy

Buying associations or buying groups play an important role in German food and beverage retailing. Buying associations generally are operated by a wholesale company that provides services for a group of independent retailers.

The largest such buying association in Germany is Markant. Markant members have a total

annual turnover valued at about DM 58.6 billion (\$31.9 billion). Markant is an association of more than one hundred independent enterprises, selling both food and non-food products. The goal of the company is to provide a cooperative platform for purchasing and marketing and providing of services for medium-sized merchants throughout Germany (and Europe). In Germany, Markant members include a number of major food retailers, including market leaders Lidl & Schwarz, Schlecker, Dohle and Wal-Mart.

Markant Hans-Martin-Schleyer-Straße 2 77656 Offenburg Tel:49-781-61 6-0 Fax:49-781-61 6-494
Edeka -Gruppe New-York-Ring 6 22297 Hamburg Tel:49-40-63 77-0 Fax:49-40-63 77 22 31
Rewe/Fuer Sie Domstraße 20 50666 Köln Tel:49-221-1 49-0 Fax:49-221-1 49 90 00

D. Other Channels

Home food delivery, mail-order and selling foods and beverages over the Internet are alternatives to the traditional German retailing sector. Home food delivery is not a new phenomenon in Germany, especially for frozen food. The value of food and beverages sold over the Internet is small, but a growing segment of the total. Germany's leading retailers, are now becoming involved in e-commerce. In February 1999, 13.8 million Germans used the Internet, 21.8% of the population. 33.5% of users say they have had experience with e-commerce. According to figures compiled in 1997, of Germany's small- and medium-sized German food companies, 34% have Internet access and 12% conduct Internet sales.

III. Competition

As the world's largest importer of agricultural products, Germany is an attractive and very sought-after market for exporters throughout the world. The EU internal market permits food

products from the other EU-member states a competitive advantage in the German market; an advantage which cannot be easily overcome by competing third countries. Approximately two-thirds of Germany's agricultural imports are sourced from other EU countries, many of which target the German market through the use of promotional programs.

Third-country promotions for food products in Germany strongly focus on generic aspects. Examples of these types of promotions are: in-store promotions, special combined editorial and advertising sections in trade magazines, and national exhibits at trade and consumer fairs. In department stores a country may be featured with a full line of food and non-food products as well as other economic segments, such as tourism.

In addition to the United States, Germany also imports significant quantities of agricultural products from other non-EU countries. Much of the 3rd country imports are sourced from Eastern Europe, North Africa and Israel, South Africa, and Latin America and the Caribbean. Germany's major consumer-oriented product imports from these countries include: meat and poultry, fresh fruit (particularly bananas), processed fruit and vegetables, pistachios, and meat and products.

EU import restrictions and food law requirements effectively act to limit the range of products imported from third countries. Thus, large promotion campaigns typically concentrate on products not available in the EU, or products not available in sufficient quantity because of season or climate, for example, Chilean fresh and dried fruits and nuts; New Zealand apples, pears, and kiwifruit; etc.

Consumer-ready processed food products are imported and distributed by a large number of German importers and import agents. In addition to cooperative advertisement with importers and suppliers, individual country promotions in the German retail trade are organized to increase visibility and awareness of those products and, consequently, increase distribution. Such promotions in Germany are normally organized and sponsored (often also financed) by the foreign country's Embassy or other government representation, in close cooperation and coordination with local importers and the retail organization.

Leading Suppliers of Consumer-Ready Food and Beverage Products

Country	1997	1998
Netherlands	\$6.37	\$6.52
France	\$3.57	\$3.70
Italy	\$3.09	\$3.14
Spain	\$2.30	\$2.37
Belgium	\$1.83	\$1.77
Denmark	\$1.34	\$1.10
Ireland	\$0.89	\$0.91
Turkey	\$0.81	\$0.69
Austria	\$0.50	\$0.62
United States	\$0.59	\$0.56
United Kingdom	\$0.52	\$0.51
Poland	\$0.49	\$0.49
Switzerland	\$0.42	\$0.47
Total EU-15	\$20.96	\$21.20
World Total	\$27.96	\$28.02

source:U.N. Statistical Office

IV. Best Product Prospects

Snack Foods - The German snack food market is valued at about \$15 billion and primarily consists of chips and other salty items, followed by specialty snacks and nuts. Growth is driven mostly by product innovation, like flavored snacks. Many U.S.-style snacks are produced in Germany or elsewhere in Europe.

Fresh Fruit & Vegetables - An interest in healthier living is linked to increased eating of fresh fruits and vegetables. Germany is perhaps the largest fresh produce

import market in the EU. More than half of all imported fresh produce is supplied by other EU countries.

Excellent opportunities exist for supplying fresh produce during the off-season, generally the winter months (November-February). Opportunities exist for U.S. suppliers of citrus, pears, table grapes, and green asparagus during the off-season, or at the beginning or end of the European season or when European production is short. Opportunities also exist for U.S. organic produce in the German market.

Dried Fruits & Nuts - Germany imports significant quantities of tree nuts and dried fruit, of which the most important U.S. exports are almonds, walnuts, dried prunes and raisins. The market for most nuts and dried fruit is fairly stable throughout the year but sales generally peak during the runup to the Christmas season. Imports are generally in-bulk and often used as ingredients by the German food processing industry. Some nuts and dried fruit imports destined for retail are pre-packed in the United States, but for the most part, are packed by importing companies in Germany.

Organic Products - Germany is Europe's largest market for organic food and beverages. Total organic food sales are roughly estimated at \$2 billion in 1998.

Alcoholic Beverages - The German market for beer, wine and distilled spirits is increasingly split between inexpensive and premium branded alcoholic beverages. Though overall alcohol consumption is declining, the market for imported beer, wine and spirits is stable or growing.

Pet Food - There are about 24 million pets in Germany and the pet food market is valued at about \$2 billion annually. Sales of cat food have the biggest market share, followed by dog food. Market potential exists for premium pet food. Germany is one of the largest EU markets for imported U.S. pet food and related products.

Fitness foods and beverages - Good prospects for "functional" products with additional nutritional properties such as vitamins and minerals. Growing consumer awareness of a healthy lifestyle is related to exercise, particularly among younger Germans.

V. Post Contact and Further Information

If you have questions or comments regarding this report, or need assistance exporting to Germany, please contact the U.S. Agricultural Trade Office in Hamburg at the following address:

Agricultural Trade Office Hamburg
American Consulate General
Alsterufer 27/28
20354 Hamburg
tel: (49) (40) 41 46 07 - 0
fax: (49) (40) 41 46 07 - 20
email: ATOHamburg@fas.usda.gov
Home Page: <http://www.usembassy.de/atohamburg>

Please view our Home Page for more information on exporting U.S. food and beverage products to Germany, including market and product “briefs” available on specific topics of interest to U.S. exporters. Importer listings are available from the ATO for use by U.S. exporters of U.S. food and beverage products.

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service Home Page at <http://www.fas.usda.gov>.